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January 20, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Honorable Susan Ness
Federal Communications Commission
445 12th Street, SW, Suite 8B115
Washington, DC 20554

Dear Commissioner Ness:

Thank you for the opportunity to meet with you to discuss Qwest's overall strategies and objectives and to express my views pertaining to issues pending before the FCC that will have strong effects on competition throughout the nation.

Qwest will shortly complete construction of the most advanced fiber optic networks in the world, and we are committed to making it possible for new technologies, services and solutions to benefit consumers, businesses and governments alike.

Without your help in removing the barriers and opening the local monopolies to competition, our customers will not benefit from competitive choice as intended by the Telecom Act of 1996. I would especially be interested to follow up with you regarding a manner of determining suitable pricing in the competitive environment following open cable access.

In addition, I am enclosing a copy of an article from the Wednesday, January 20, 1999 edition of The Wall Street Journal that discusses @Home. You will remember that one of our concerns is that broadband access will be restricted across the cable networks, in part, because of exclusive arrangements entered into by @Home. The article indicates that @Home intends to enforce exclusive arrangements in order to create a monopoly service. These are precisely the sort of restrictions that should be prohibited.

I look forward to staying in close touch with you regarding these issues and to discuss any concerns pertaining to the FCC and Qwest in the future.

Sincerely,

Joseph P. Nacchio

Joseph P. Nacchio
President and Chief Executive Officer

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THE WALL STREET JOURNAL
WEDNESDAY, JANUARY 20, 1999 **B1**

ONLINE

@Home Seeks a Place @Top of Web

A Surfer Bets On High Speed And a Big Deal

By DAVID BANK
Staff Reporter of THE WALL STREET JOURNAL

At a recent staff meeting, At Home Corp.'s chief executive officer, Tom Jermoluk, casually brushed back his sun-bleached hair as his chief financial officer ballyhooed the company's skyrocketing stock price.

"It used to be that we were groveling," Ken Goldman crowed. "Now we've got the cachet."

"I don't recall groveling," Mr. Jermoluk shot back.

The hyperkinetic Mr. Jermoluk, known throughout Silicon Valley as TJ, definitely isn't groveling now. In the largest Internet merger to date, he has agreed to exchange $7.5 billion in At Home's sky-high shares to acquire **Excite** Inc., one of the World Wide Web's busiest sites.

The deal catapults At Home, a Redwood City, Calif., provider of high-speed online service with only 330,000 subscribers and 1998 revenues of just $46.8 million, into a new league. In terms of its potential as a major brand on the Internet, it now moves closer to online giant **America Online** Inc. And it makes the 42-year-old Mr. Jermoluk a serious contender for the title of king of cyberspace.

Tom Jermoluk

Mr. Jermoluk says he never had to grovel because At Home has something AOL doesn't: exclusive rights, through the year 2002, to deliver high-speed Internet access to nearly 60 million North Americans over the networks of 19 cable-television operators. These cable companies in turn have exclusive franchises in their local areas.

While **Microsoft** Corp. struggles to convince the courts that it doesn' have a monopoly, Mr. Jermoluk is unabashed about declaring that he does. "There's not some other company that's going to step in and get our business," he says. "Without the exclusives, you're just a wing and a prayer."

AOL is aggressively lobbying at the federal and local levels to force cable providers to open their networks to At Home competitors. And AOL has argued the cable operators themselves need AOL's popular service to attract customers to their broadband offerings.

The deal between At Home and Excite changes those dynamics. Mr. Jermoluk says Excite's content offerings and the addition of Excite's audience—Excite claims 20 million registered users—plus its targeted advertising capabilities are key to building At Home into a major media brand before the exclusives expire.

The cable companies—including **Cox Communications** Inc., **Comcast** Corp. and **Tele-Communications** Inc., which has agreed to be acquired by **AT&T** Corp.—agreed to the exclusive pacts with At Home and to a revenue split that gives At Home 35% of subscribers' $39.95 monthly fee. The cable companies own stakes in At Home that combined give them a majority interest. With a market value of nearly $12 billion before the deal, At Home is worth more than many of its cable company partners.